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MEMORANDUM FOR: Deputy Director (Administration)

SUBJECT : Relations with Nonintelligence Agencies of the Government

The following are suggested as briefing notes for the Hoover Commission Task Force to outline relations with nonintelligence governmental agencies which are of primary interest to this Office:

1. The Comptroller General. Liaison with the Comptroller General has been handled primarily by the Office of the General Counsel since 1946. All such liaison is coordinated with the Comptroller. Liaison with the General Accounting Office, which is under the Comptroller General, is handled by the Office of the Comptroller which coordinates with the Office of the General Counsel. Relations with the Comptroller General have been handled almost entirely through his General Counsel.

The need for coordination is infrequent, but it is of fundamental importance as the Agency's very wide authorities and exemptions in the fiscal field, so essential to its proper function, could well be eliminated by an antagonistic attitude on the part of the Comptroller General. In support of this statement we point to the fact that the Atomic Energy Commission in 1947 asked for authorities and exemptions similar to those possessed by this Agency over its funds, setting forth various justifications based on security and the necessity of operations. The Comptroller General, when called on to testify before the Congress, expressed adamant opposition to such a grant of power over Government funds to an Executive agency, and the request was overwhelmingly turned down. This Agency at the time was attempting to get the statutory authorities needed for its operations, and, prior to presenting its bill to the Congress, was required to coordinate its request with the Comptroller General among others. He repeated his principles on control of Government funds, but stated that under present world conditions he felt an intelligence agency

needed great latitude and approved the authorities requested by us. Subsequently he clarified his position by stating that powers given us authorized expenditures for any purposes necessary to carry out our functions, but were not to be invoked for the solution of administrative difficulties common to all agencies. As this has always been Agency policy, this position has been no impediment.

In other respects the Comptroller General has also shown every cooperation to meet the particular needs of this Agency. Thus, the expenditures which are audited by the General Accounting Office are reviewed by cleared representatives on Agency premises and no documents leave the Agency's possession. In other technical aspects of interdepartmental transactions in similar matters, the Comptroller General has assisted with due regard to security and practicability. In general the Comptroller General has indicated that in view of our policies in regard to utilization of funds, as explained by us to him, he would not instigate any investigation of our use of funds as long as he has reason to believe those policies are adhered to by us.

2. Department of Justice. The over-all liaison with the Department of Justice on legal matters is the responsibility of the General Counsel. However, certain well-defined areas have been allocated to other offices. Thus, the liaison with the Immigration and Naturalization Service of the Department of Justice is handled by the Alien Affairs Officer, Security Office, with staff assistance on legal matters from the General Counsel. The liaison with the Federal Bureau of Investigation of the Department of Justice is handled by the Security Office and the Foreign Intelligence Staff as appropriate. Such matters as alien registration problems relating to exchange of information are handled directly by the Foreign Intelligence Staff with staff assistance from the General Counsel on legal matters. The remaining liaison conducted by the General Counsel, primarily with the Office of the Attorney General, encompasses a variety of problems, of which the most important are mentioned below:

a. A major one is the problem of separation of employees on basis of loyalty or security charges. The Department of Justice is responsible for guidance on relationships and procedures implementing Executive Order 10450, which sets the standards for such termination. The Agency has established such procedures with the approval of the Department of Justice. However, as the Director has his own authority to terminate in the national interest, separate internal procedures for

processing his discretionary authority have been established which to some degree parallel the Executive Order 10450 procedures but are especially adapted to problems peculiar to this Agency and to the requirements of operational security. The Attorney General has been notified of the dual system and has approved the standards on which it is based.

b. A most troublesome problem arises out of the fact that a very few individuals engaged in Agency work have been discovered in apparent violation of criminal statutes. Where no security has been involved, these cases have been immediately turned over to the Department of Justice for investigation and prosecution. In cases involving operational security aspects, however, the initial investigation has been conducted by this Agency so that the risk of compromise in further investigation and prosecution may be evaluated. We have attempted to establish the principle that the duty of the Department of Justice to investigate and prosecute must be weighed in the national interest against the Director's responsibility to protect intelligence sources and methods. This principle has not been fully accepted by the Criminal Division of the Department of Justice, and several cases are now in various stages of discussion with that Division in an attempt to obtain agreement to the principle and further in an attempt to find bases for prosecution which will not endanger the security of operations. Relations with the Department of Justice have not been marked with the understanding of our problems and the ready support we have experienced elsewhere in Government.

3. Bureau of Internal Revenue. While the Department of the Treasury relations are of primary interest to the Comptroller, the General Counsel has handled the liaison on tax problems with the Bureau of Internal Revenue almost exclusively as they normally involve highly technical legal points. The Security Office, the Office of the Comptroller, and the operational divisions are consulted as may be appropriate. The Bureau of Internal Revenue has been most cooperative and, within the limits of its organization, has done everything possible to protect the security of the Central Intelligence Agency's operations. Many of the problems are extremely complex and on some neither the Bureau nor ourselves can suggest any truly satisfactory solutions. An example is the question of the tax liability of an employee of a commercial cover organization wholly owned by this Agency operating overseas. Normally such an employee would be exempt from Federal Tax after complying with the foreign residence requirements. Technically, since the corporation is wholly owned by the Government, he is liable to Federal tax. We hope eventually

to obtain acceptance of the principle that it is more important for the employee to live his cover than to comply with the technical requirements if security requires. But balanced against this is the feeling that one who wishes to keep his employee status with the Agency should not be put in a position of special privilege.

Many agent arrangements raised difficult security problems on filing Federal tax returns, and the regional offices of the Bureau have been very helpful in handling such cases. At the present time we have proposed, and the Bureau has agreed to establish, an internal revenue unit within this Agency for handling of such cases. Such a unit would be manned by cleared Internal Revenue agents, but the papers would remain under CIA control. This liaison can be termed extremely satisfactory on the whole.

/s/
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General Counsel